



**Securities Investors Association (Singapore)**

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**Issuer:** Sinopipe Holdings Limited

**Security:** Sinopipe Holdings Limited

**Meeting details:**

Date: 26 June 2018

Time: 2.30 p.m.

Venue: Re!Fine Private Lounge, Level 1, Hotel Re! @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879



1. On 6 June 2018, the company announced that the independent auditors of the company, Messrs Mazars LLP, has issued a disclaimer of opinion in the independent auditors' report in respect of the company's consolidated financial statements for the financial year ended 31 December 2017.

The basis for Disclaimer of opinion included:

- **Opening balances**: Since the financial statements for the financial year ended 31 December 2016, the independent auditor had a disclaimer of opinion and the matters remained unresolved; the inability of management to provide audit evidence to address the audit queries; the appropriateness of the classification and carrying amount of the disposal group held for sale
- **Limitation of scope**: The independent auditor continued to encounter limitation in the scope of our audit consequent to the departure of certain key finance personnel of the Chinese operations and a key management personnel [...] which resulted in alleged loss of certain accounting records, as well as the inability of management to provide audit evidence to address our audit queries
- **Going concern**: As at 31 December 2017, the Group and the Company were in capital deficiency position of RMB929,786,000 and RMB11,279,000, respectively [...] These conditions indicate the existence of significant doubt over the Group's and the Company's abilities to continue as going concern. Notwithstanding these conditions, the Group's and the Company's financial statements have been prepared on a going concern basis which is dependent on management's success in obtaining new capital fund injection to the Group.

In the Directors' Statement, the directors have stated that, in their opinion:

*"the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date;*

- (i) Would the directors, especially Mr Chew Heng Ching as Deputy Non-Executive Chairman and Chairman of the Audit Committee (AC), justify the opinion of the directors (above) given that the Independent Auditor issued a disclaimer of opinion in their report?**
- (ii) The auditors have cited the inability of management to provide audit evidence to address their audit queries. What were the directors' efforts in facilitating the auditors in their audit? What were the findings of the AC's review of the co-operation given by the group's officers to the external (and internal) auditors?**
- (iii) How will the AC resolve the issues brought up by the independent auditors as detailed in the basis for the disclaimer of opinion?**

2. As at 31 December 2017, the group and the company were in capital deficiency position of RMB929,786,000 and RMB11,279,000, respectively. In Note 1.2 (page 33 – Going concern), the company has stated the following:

*“Certain banks have withdrawn their credit facilities from the Group, certain creditors have taken action against the Group to demand for default payments, and certain operations have ceased. These conditions indicate the existence of significant doubt on the Group’s and the Company’s ability to continue as going concerns. Notwithstanding these conditions, the directors are of the view that the going concern assumption is appropriate as subsequent to the reporting date, the Group and the Company had successfully completed the disposal of the disposal group held for sale and on the premise that the initiatives that getting investors to inject capital funds into the Group they have taken will be successful. In the event that the Group and Company were unable to obtain sufficient capital injection, the liabilities may not be able to be discharged in the normal course of business. No such adjustments have been made to the financial statements.”*

- (i) With the disposal completed, can the board help shareholders understand the size and depth of the management team left in the group? Who are the executive directors/officers of the group?**
- (ii) Who is driving the company’s fund-raising efforts? How does the company intend to fund-raise given the circumstances of the group? Who are the targeted investors?**
- (iii) Has the board set a deadline for its fund-raising efforts?**

3. Trading of the shares in the company has remained suspended since 2 April 2012.

While the group works towards the collection of the balance of the total consideration of RMB 10.0 million from the disposal of the PRC subsidiaries, **could the board list out the major milestones in order for the company to submit a trading resumption request to the exchange?**

**Please list down all the major requirements and the targeted timeline set by the directors.**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Sinopipe%20Holdings%20Ltd>

The company’s response could be found here: -----